



Building a Results-Oriented Government

State government plays an important role in the lives of people across Massachusetts. From turning around low performing schools to making the health care system more cost-effective, from developing new approaches to reducing youth violence, to supporting job creation and economic development – state government is making a difference on critical issues that matter to the people it serves. Success on these issues in recent years stems in part from the unprecedented investment the Patrick-Murray Administration has made in these areas and that are prioritized in the FY14 budget. However, how much money is spent by state government is not the benchmark this Administration uses to determine whether the state’s goals have been achieved. Ultimately, it is the results of those investments that matter. Has school performance improved, has health care cost growth been contained, are kids safer in their neighborhoods, are jobs being created in all parts of the Commonwealth – those are the real tests of state government’s success.

That is why as part of its FY14 budget, the Patrick-Murray Administration is launching the MassResults initiative, which seeks to further embed a results-oriented culture in state government. In launching MassResults alongside the investments proposed in this budget, the Administration is making a further down payment towards changing the way state government does business.

What is MassResults?

MassResults aims to make state government more effective, more accountable and more open – building a results-oriented culture by:

- Ensuring state government is strategic in its aims, setting out clear plans for how it will achieve its goals and regularly evaluating progress toward outcomes;
- Using data and evidence to inform decisions and assess performance;
- Changing the way services are paid for and delivered, encouraging innovation and using incentives to improve program delivery;
- Taking a broader, more comprehensive look at the full range of state government resources available to ensure all funds are maximized and allocated strategically; and
- Painting a clearer, more complete picture of state spending and performance so that residents can more effectively engage with state government and hold it accountable for results.

Building a more results-oriented government is the specific charge of the Office of Commonwealth Performance, Accountability and Transparency (CPAT), which was created by the legislature in 2012 and housed within the Executive Office for Administration and Finance. CPAT has: directed the Administration's comprehensive strategic planning and performance management efforts; brought a greater level of coordination to federal grant management than ever before; led efforts to enhance controls to prevent and detect fraud, waste and abuse; and improved economic and caseload forecasting capabilities to enable state government to better predict and address fiscal impacts. CPAT will lead the MassResults initiative to make government more effective, accountable and open.

Making Government More Effective

The first phase of the Administration's comprehensive strategic planning and performance management effort culminates with this budget. In February 2012, Governor Patrick signed Executive Order 540 to embed performance management across state government. Consistent with EO 540 and legislation (Chapter 165 of the Acts of 2012) signed by the Governor in July 2012, the Patrick-Murray Administration's FY14 budget includes:

- *Publication of Strategies for the Governor's Four Priorities* – Governor Patrick began his second-term by setting clear, measurable goals in four priority areas: closing the achievement gap in schools; containing health care costs; reducing youth violence; and creating jobs. The Administration developed integrated strategies for each of these priorities and regularly tracks progress utilizing performance measures to evaluate results. High-level strategies for each of the priorities have been published with this budget;
- *Publication of Two-Year Secretariat Strategic Plans* – Each of the eight Secretariats of state government has published a two-year strategic plan alongside this budget. These plans set out the

strategic goals of the Patrick-Murray Administration through 2014, the key actions that will be pursued to achieve them and the outcome measures that will be utilized to evaluate results; and

- *Presentation of a Program Budget* – This budget is presented in a new, more accessible and easily understood program-based format. Instead of simply presenting the agency or line-item account for each area of spending, this budget shows how much is being spent on the real functions of state government. Additionally, newly launched web-based tools provide the public with the ability to interact and engage with the budget in a way that has never been possible before. The new program-based budget also goes beyond simply making recommendations for annual operating funds. State government is a \$50 B a year enterprise, only \$34 B of which is allocated via the annual operating budget. This budget presents a broader and more transparent view of how state government invests the resources it has – whether from operating, federal, capital or trust fund sources.

Articulating what success looks like and being held accountable for results is something that every resident should expect from state government. Together, the publication of strategies for the Governor's four priorities, the Secretariat strategic plans and the new all-funds program-based budget show the public not just how much state government is spending, but what it plans to achieve with these investments. This is something that state government has never done before and should never fail to do again.

Using Data and Evidence to Get Results

Many state agencies have been using performance management practices to achieve better outcomes and improve service delivery. Already this year, the Department of Transportation (MassDOT) has conducted its first-ever public accountability meeting to share its results with interested residents. The Executive Office of Health and Human Services (EOHHS) revamped its EHS Results performance management system to measure progress across its agency clusters. The Executive Office of Housing and Economic Development (EOHED) led the development of business plans with outcome measures for all of its 18 public and quasi-public economic development agencies. And to support the spread of these practices, CPAT, in partnership with the Collins Center for Public Management at the University of Massachusetts in Boston (UMASS Boston), has trained more than 300 state managers in performance management techniques and implementation.

The Administration is committed to embedding performance management practices across state government. By setting clear goals and regularly using data and evidence to make better decisions, state agencies have achieved some notable successes. For example:

- During the last four years, the Massachusetts Children's Trust Fund's Healthy Families program has improved support to children and families by increasing the percentage of its participants receiving weekly home visits for the six months following a baby's birth by more than 40 percent;

- During the last two years, the Massachusetts Office of Business Development, which coordinates the efforts of business development entities across state government, used clear goals for job creation to reduce the amount of government investment per private sector job created. For example, through these efforts, the Economic Development Incentive Program has reduced the average cost per new job from \$13,845 in 2010 to \$5,253 in 2012;
- The Department of Elementary and Secondary Education (ESE) uses regular assessment to close the achievement gap in schools. Based on analysis of Massachusetts Comprehensive Assessment System results ESE has: implemented a new state school and district accountability system; developed turnaround plans for low-performing school districts; transitioned to the more-rigorous Common Core education standards; and implemented the MassGrad initiative to reduce school dropout rates and improve graduation attainment. These efforts are paying off. Since 2006, 10th grade MCAS scores in English and Math have improved for all students but have increased at higher rates for minorities and lower-income students;
- To reduce spending levels in FY12, the Group Insurance Commission required 78,000 active state employees to re-enroll in health insurance, incentivizing limited network plans. As a result, enrollment in such plans increased from 19 percent in 2011 to 30 percent in 2012, saving the Commonwealth approximately \$20 M;
- In 2012, the Human Resources Division redesigned its workers' compensation business process and invested in a new reporting system to expedite the processing of claims. As a result, workers' compensation claims filed are down 11.4 percent and total compensation and medical-paid leave has dropped by 10.2 percent since the Patrick-Murray Administration took office;
- The Massachusetts Office of Transportation launched a \$3 B Accelerated Bridge Program in May 2008 reducing the number of structurally deficient bridges statewide from 543 to 437, a decline of 19.5 percent;
- The Massachusetts Department of Environmental Protection instituted a new resolution process in 2007 to speed wetland permitting decisions. As a result, 82 percent of wetland appeals are resolved within six months of the filing date, up 31 percent when compared to the previous four years; and
- In 2009, the Human Resources Division and the Massachusetts Office on Disabilities implemented a strategic plan to establish the Commonwealth as a model employer of people with disabilities. As a result, the percentage of self-identified persons with disabilities working in executive branch agencies increased from 1.7 percent at the start of the Patrick-Murray Administration to 2.9 percent in 2012, exceeding the Federal target.

Paying for Results

In addition to implementing performance management, the Patrick-Murray Administration has sought to change the way state services are paid for and delivered – requiring local and private partners to measure results, using incentives to reward success and pioneering the use of innovative funding models. Reforms to health care payment methods encompassed in the recently passed landmark health care cost containment legislation are but one such example. The Administration's Safe and Successful

Youth grants program, which is aimed at reducing youth violence, has outcomes built into its grants and recipients are required to report regularly on progress meeting them. The state's accountability and assistance framework for elementary and secondary schools requires that turnaround plans for low-performing schools include measurable goals on indicators such as participation rates, educational attainment, college readiness and school culture.

Additionally, the Administration is finalizing a pay-for-success contract to reduce juvenile recidivism in the Youth Recidivism Project, outlined in more detail in "Positive Youth Development and Violence Prevention." Under the contract, the state will only pay when a successful intervention has been delivered by providers, using agreed upon data and performance measures to determine whether outcomes have been achieved. The Administration is also partnering with providers and funders to create stable housing for several hundred chronically homeless individuals, and is developing a similar pay-for-success mechanism to address this issue.

Beyond these signature initiatives, there are examples across state government of performance-based incentives being built into funding streams, grants and contracts for the delivery of vital state services. Examples include:

- The Department of Early Education and Care has tied an increase in the infant/toddler child care rate paid to providers to those that can demonstrate they have taken steps to improve the quality of their programs;
- The Department of Housing and Community Development's HomeBASE Motel Re-Housing initiative, which helps relocate homeless families from motels to more permanent residences, pays providers a fee for each household only after they have successfully placed them in permanent housing;
- The Division of Highways is using rewards and penalties as part of rebuilding the Longfellow Bridge between Boston and Cambridge. These incentives aim to ensure transit service is not significantly disrupted during weekdays and that service is running when commuters need it. Incentives are also being used to reduce the number of diversions and ensure the bridge can be opened to two-way traffic by certain milestones;
- MassHealth rewards acute care hospitals for improving the quality of care delivered to MassHealth members in key quality areas, such as maternity, pediatric asthma, surgical care infection prevention and the reduction of racial and ethnic health disparities. There have been notable improvements in many of these areas since the inception of MassHealth's pay-for-performance program. MassHealth also encourages a reduction in hospital readmissions by reducing inpatient rates for hospitals whose readmission rates exceeded their expected rate. This gives providers an incentive to improve care quality and reduce readmissions;
- The Massachusetts Bay Transportation Authority (MBTA) builds incentive payment and penalties into the contracts it administers with providers of transportation services for the disabled and elderly, known as the RIDE, rewarding perfect performance and personnel levels and penalizing

providers for tardiness, poor travel conditions (i.e. air conditioning/heater failure) or failure to report incidents and accidents;

- The Division of Capital Asset Management and Maintenance administers a voluntary program to provide incentives for state facilities to earn financial benefits for electricity that they displace from the utility grid during periods of high demand. The program collaborates with an outside vendor that shares in savings derived from the program; and
- EOHHS oversees a Competitive Integrated Employment Services (CIES) contract that pays vendors a uniform rate across four EOHHS agencies. The vendors submit client outcome information, which allows departments to direct clients to vendors that have had greater success than others. CIES helped the Department of Transitional Assistance (DTA) to narrow its pool of vendors and expand the purchase of service from the most successful providers. Using CIES, the Massachusetts Rehabilitation Commission has experienced significant increases in Successful Employment Outcomes (SEOs) for its clients, at a reduced cost per SEO.

Further reforms to change the way state government pays for and delivers services have also been developed as part of the Governor's FY14 budget. Building on the enactment of landmark reforms to the community college system last year, the Administration is proposing that community college funding become performance-based to reward better student outcomes, workforce development and the completion of certificates and degrees in fields of high employer need. The Administration is also seeking to provide incentives for local communities to improve their effectiveness and efficiency. A new incentive aid pool has been proposed to reward cities and towns for adopting better financial practices and policies and participating in performance management programs. Through these efforts, state government can stretch taxpayer dollars to get better results

The Administration has also started to apply a results-oriented philosophy to tax expenditures – the provisions in the tax code that are designed to encourage certain kinds of activities or investments. In April 2013, the Tax Expenditure Commission, which was formed to study and recommend methods for measuring and reviewing the effectiveness of tax expenditures, charged CPAT and the Department of Revenue with identifying the public purpose and desired outcomes for each expenditure and to develop metrics for assessing tax expenditures' effectiveness at achieving these purposes and outcomes. The first part of this charge has been met, with public policy purposes and outcomes identified. These are now being vetted with stakeholders and legislators. Metrics and data are also being collected for a number of grant-like tax expenditures. This work will continue throughout 2013.

The Next Phase of Performance Improvement Efforts

Consistent with EO 540, CPAT will lead the next phase of MassResults performance management efforts in 2013. These efforts include:

- *Further Embedding Performance Management* – CPAT will work with Secretariat Offices of Performance Management to ensure the regular and expanded use of data and evidence to drive

better results. To support this work, the Governor’s budget recommends \$1.225 M to support these statutorily required Offices in their critical functions;

- *Enhancing Performance Reporting* – all Secretariats are required to publish performance reports with the Governor’s FY15 budget recommendation. CPAT will work with Secretariat Offices of Performance Management to develop and publish public performance reports;
- *Identifying New Opportunities to Pay-for-Success* – CPAT will continue to work with Secretariats to identify new opportunities for incentives to be built into contracts, grants and other funding streams;
- *Linking Performance Information to Budget Decisions* – CPAT will work with Secretariat Offices of Performance Management and Finance Officers to develop and publish outcome measures for the programs set out in the Governor’s Budget Recommendation. Developing a “performance-based” program budget will help state government allocate limited financial resources more effectively. The Administration will work closely with the legislature to consider how to embed performance-based program budgeting as the way state budgeting is conducted for the future and implement the recommendations of the Zero-Based Budget Commission to that affect; and
- *Supporting Performance Management at the Local Level* – CPAT will continue to work with the Collins Center for Public Management at UMASS Boston to support local communities to adopt and expand their performance management capabilities. During 2012 and 2013, the Commonwealth funded a municipal performance management program to help drive the use of performance management practices at the local level. Additionally, cities and towns were offered the opportunity to participate in New England StatNet, a network of municipalities using CitiStat or other data-driven performance management approaches, at no cost. More than 45 communities are currently participating in the program as a result of this investment. As mentioned previously, as part of reforming state aid to local government, another important initiative announced with this budget, the Administration is planning to provide incentives for cities and towns focused on use of strong fiscal management and performance management practices. Together, these initiatives support cities and towns in their efforts to become more effective and efficient.

Making Government More Accountable

Today’s fiscal reality demands that every taxpayer dollar is stretched as far as possible and utilized to its fullest extent. Three important elements of CPAT’s charge are to better manage federal grants; provide leadership in program integrity efforts across state government; and use economic and caseload forecasting to better assess impacts on the state’s finances.

Better Managing Federal Grants

The Federal Grants Management Office (FGMO) in CPAT was created after the state government’s successful coordination of \$7.5 B in additional funding through the America Recovery and Reinvestment Act (ARRA). In managing ARRA funds, real time information was used to track usage and outcomes. This

ensured ARRA funds were spent in a timely manner to create and retain jobs and support economic recovery.

Learning from ARRA is enabling the state to improve its management of the \$16 B in annual state revenue that derives from federal funding. This includes identifying information gaps in how well federal grant funds are managed and spent. While spending from federal sources is accounted for, it was found that grant awards could be better coordinated and used more effectively. Additionally, better management of federal grants could enable deeper analysis of the effects of federal budget policies on state finances. To play this critical central oversight function and lay the foundation for more effective grants management, the FGMO has:

- *Taken an All-Funds Budgeting Approach* – for the first time ever, detailed spending plans for the 118 largest federal grants were developed alongside the operating budget, an “all-funds” approach to better managing state resources that will be continued;
- *Commenced Development of an Enterprise-Wide Grants Management System* – the need for an automated IT system to support state government in maximizing federal funding was identified as part of a collaborative review with representatives from all Secretariats; and
- *Completed Impact Analysis of Potential Federal Grant Reductions* – a detailed impact of federal budget sequestration and potential grant reductions was completed and has informed both short-term budget development and long-term fiscal policy planning scenarios.

Going forward, the unit will continue to work to maximize federal awards, ensure federal funding is aligned with Administration priorities and that it best supports the goals state government is working to achieve.

Coordinating Program Integrity Efforts Across State Government

Regardless of the source of funding, state government has an obligation to root out fraud, waste and abuse. CPAT’s Program Integrity Unit has led efforts to share best practices across state government and enhance internal controls, including:

- *Working to Standardize, Streamline and Strengthen Program Integrity Programs* – CPAT hired the state’s first government-wide program integrity director to make permanent the efforts started by the Lt. Governor’s Task Force on fraud, waste and abuse;
- *Creating a Statewide Network of Program Integrity Professionals to Share Information* – the unit started the first Secretariat Program Integrity Steering Committee to bring program integrity professionals from all Secretariats together to collaborate and share best practices for preventing fraud, waste and abuse; and
- *Improving How State Government Tracks and Responds to Audit and Investigative Findings* – led efforts to improve collaboration between the executive and oversight offices including the State Auditor, the Inspector General and the Attorney General. A standardized tool was developed that

will allow agencies and oversight offices to track oversight findings and agency responses, which will be piloted and implemented in 2013. This is a critical step forward in improving accountability and making government more effective and will allow state government to spot opportunities for control enhancements.

These efforts will support continued improvement and learning in preventing and detecting fraud, waste and abuse throughout state agencies.

Better Economic Forecasting and Analysis

To be more accountable and effective, state government must have a long-term outlook, particularly regarding its finances. CPAT's Economic and Caseload Forecasting Unit is helping state government develop that perspective by:

- *Setting Long-Term Fiscal Policy* – in May 2012, the unit published the state's first Long-Term Fiscal Policy Framework, which includes five-year tax revenue forecasts developed in consultation with outside economists. This framework is being updated regularly to account for economic and fiscal changes;
- *Forecasting and Reporting Benefit Caseloads* – two caseload forecasting reports have been provided to the legislature looking at state-subsidized services, such as Medicaid and emergency assistance housing programs. Collaboration with MassHealth, which administers Medicaid, has helped them update their forecasting methodology. The unit has also supported DTA in improving its forecasting accuracy. A new caseload report will be provided to the legislature in March of this year; and
- *Evaluated the Economic Impact of the "Fiscal Cliff"* – working jointly with CPAT's FGMO, analysis was conducted to assess the impact of federal funding cuts on state programs and the state's economy, tax revenues and overall fiscal health. This analysis is being updated to assess the outcomes from budget negotiations in Washington.

The Economic and Caseload Forecasting Unit will work to expand the Long-Term Fiscal Policy Framework, including estimating the impact of further federal deficit reduction policies and Affordable Care Act implementation. The unit also is taking on responsibilities related to the health care cost containment legislation in forecasting economic growth.

Making Government More Open

The Patrick-Murray Administration has been committed to an unprecedented level of transparency since it took office six years ago. At that time, Massachusetts was given a failing grade for sharing information on state spending with the public according to the Massachusetts Public Interest Research Group (MassPIRG). Since that time, the Commonwealth's transparency rating has steadily improved and MassPIRG gave the state an A- in 2012. Fulfilling a promise to build a more open government, the

Administration, through CPAT, has created new tools and strategies to share more information than ever before on state governments' spending and performance.

The most important transparency initiative implemented in recent years is the Commonwealth's Open Checkbook. Launched in December 2011, the Open Checkbook provides the public with easy access to state spending information. During the last year, the Administration has continued to make enhancements to the site, adding new content such as information on 13 categories of tax credits. Since its launch, the Open Checkbook has received more than 420,000 hits and will continue to be an important source of spending data for residents of the Commonwealth.

In addition to the Open Checkbook, the presentation of the new program-based budget is a vital step forward in the Administration's transparency efforts. For too long, the presentation of the budget has been more about informing government insiders than engaging the public – satisfying accounting requirements as opposed to meeting democratic and civic demands. The program budget is part of efforts to make the budget more accessible and understandable to state residents. It sets out state spending in more detail than ever before, showing:

- *How the Commonwealth is investing its dollars* – not just which department or accounts received the money;
- *The actual programs provided by state government* – not just the legal language prescribing how certain funds can be used; and
- *All funding sources supporting these programs* (including federal, capital, trust and budgetary or operating accounts) – not just the budgetary appropriations that have been traditionally presented in the Governor's Budget Recommendation.

The Next Phase of Transparency

Building on the progress the Administration has made to make government more open, CPAT will do the following in 2013:

- *Refresh the State's Transparency Website* – upgrades to the site will aim to make the provision and presentation of information on revenues, spending and performance more resident-centric and interactive to support civic engagement;
- *Enhance the Open Checkbook* – the site's content will be expanded to include expenditures for several independent state agencies. The first of which will be the MBTA and the School Building Authority. In addition, the Water Pollution Abatement Trust's administrative expenses will be included. It is also expected that spending information for other independent agencies will be added to the Open Checkbook this year;
- *Make More Data Publicly Available* – the state's Open Data Initiative will make more state data sets available for users interested in supporting government's efforts to achieve better results; and

- *Publish Performance Information* – as mentioned above, performance reports for each Secretariat will be published next year with the Governor’s FY15 Budget Recommendation. These reports, which will contain detailed performance data, will update the public on progress made in delivering Secretariat strategic goals.

Your MassResults

The Patrick-Murray Administration is committed to making government more effective, more accountable and more open. It recognizes however that changing the way government does business cannot occur through the actions of government officials alone – it requires the collaboration and support of an engaged citizenry. Ultimately the results achieved by government matter only if they are the results that people want to see.

Your ideas and insights are therefore essential to this effort so please visit the MassResults website: www.mass.gov/MassResults. There you will be able to find more information about this initiative and contact us with ideas and feedback.